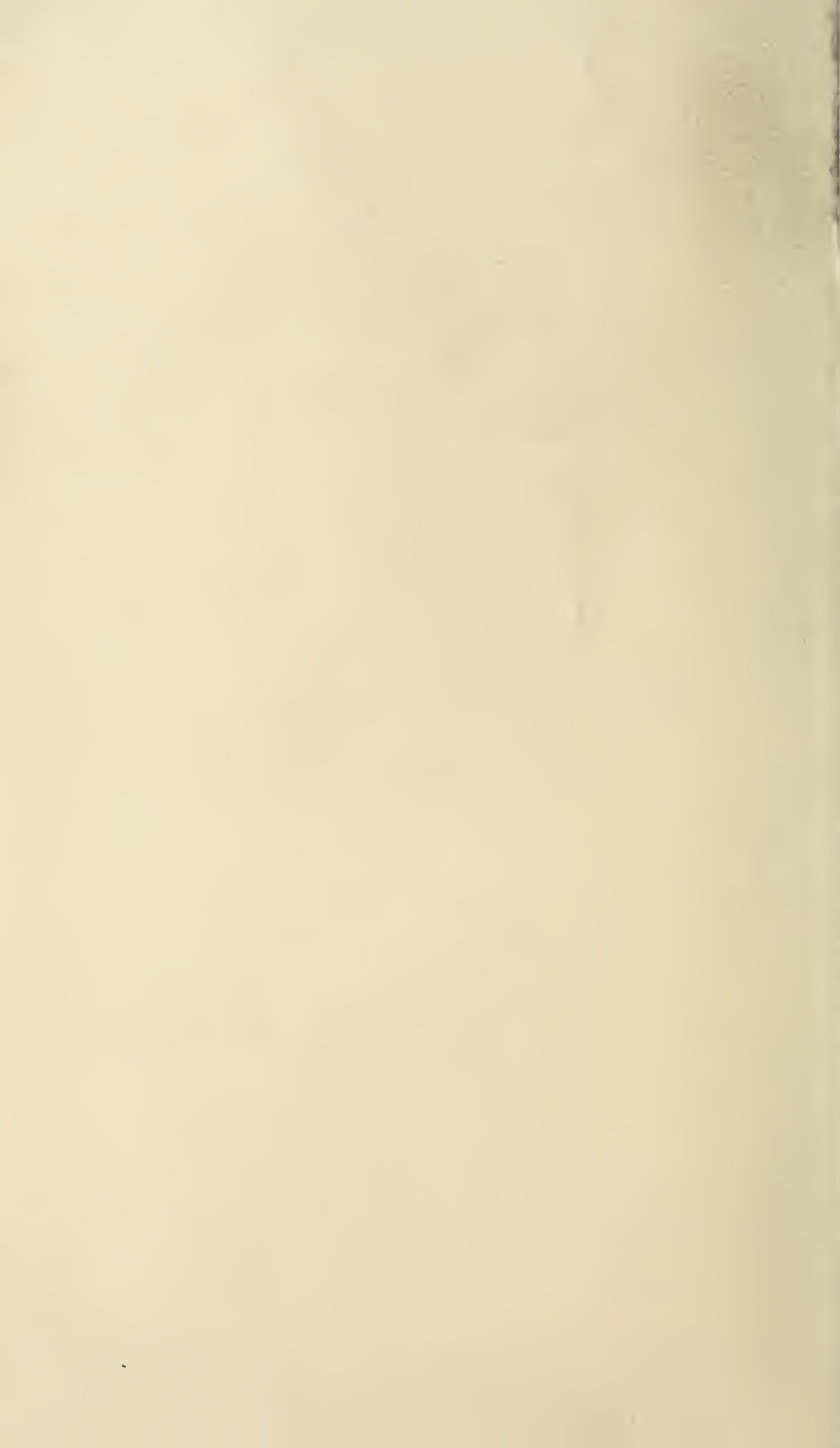
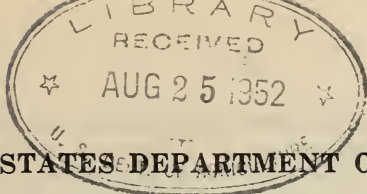


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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D.C.

ONE YEAR OF THE AAA; THE RECORD REVIEWED

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(NOTE.—This article was written by Mr. Davis especially for the New York Times and was published June 3, 1934. Because of the comment it aroused, it is published in pamphlet form by the Agricultural Adjustment Administration with the permission of the New York Times.)

THE launching of the greatest cooperative effort ever undertaken by farmers is the outstanding accomplishment of the Agricultural Adjustment Administration's first year.

Organizing themselves into county production-control associations, 3,000,000 farmers in 48 States have signed contracts which make them voluntary partners in planning their production and improving their incomes. These contracts apply to four great staple export crops—wheat, cotton, corn-hogs, and tobacco.

Though incomplete, the experiment marks the beginning of a big-scale transition away from a purely individualistic agriculture. In 12 months these farmers have taken one long step to avert the merciless punishment inflicted upon them by planless competition with one another in an economic world dominated by the centralized and controlled forces of modern finance and industry.

A YEAR OF RECOVERY

The final test of this experiment in agricultural planning will be its benefits to farmers and society. The Agricultural Adjustment Administration's first year has been accompanied by substantial recovery in the economic condition of agriculture. This partial recovery has come from a diversity of causes, among which the better adjustment of supply with demand has been basic. Farm cash income has been increased through better prices, due to production adjustments, to the President's monetary policy, and to the revival of city buying power following the Government's vigorous employment measures.

The farmer's cash income, including benefit payments, is up 39 percent for the past 12 months over that for the corresponding period a year ago. Although this income was partly offset by rising prices of things farmers buy, the buying power of farm commodities has improved 20 percent as shown by the change in the farm price index, from 52 for April 1933 to 62 for April 1934. This index shows the net gain in the exchange value of farm commodities through price improvement alone, and does not show the effect of benefit payments.

In addition to income through better prices, farmers have received

close to \$250,000,000 in benefit payments, rentals, and options paid in consideration of their cooperation in balancing production. These payments are designed to make up, so far as possible, the discrepancy between price and fair exchange value or parity, measured by the pre-war purchasing power of farm products, on that part of the crop consumed in this country.

A GOOD BEGINNING

These benefit payments are being successfully self-financed by processing taxes, not by appropriations from the public treasury. The increased buying power of producers of cotton, wheat, tobacco, and other products has had important effects upon recovery of industry and trade throughout the country. The program has worked, on the whole, as it was expected to work. A good beginning has been made.

The march of 3,000,000 farmers to join their county production-control associations in a voluntary experiment of such scope is a dramatic and historic thing. But the drama of it is magnified as this unprecedented experiment in planned farm production encounters a vast natural calamity—a drought which, as I write, ranks among the greatest in extent and intensity among all rainfall shortages suffered by American agriculture.

This drought already has blasted production in parts of the Dakotas, Minnesota, and Nebraska. It has cut sharply into yields over a much wider area including most of the Corn Belt. It has added the blind cruelty of nature to the punishment suffered by farmers through blind production in recent years. The experiment in agricultural adjustment therefore is to progress in 1934 not under normal and predictable conditions but under conditions which are abnormal in the extreme.

But acute need for agricultural planning always arises out of acute human distress. Ultimately, the usefulness of any farm plan would be measured not only by its function in meeting the everyday problems of agriculture, but also upon its adaptability to the unusual needs of extreme emergency.

THE FORCES MOBILIZED

The Agricultural Adjustment Administration has now mobilized its forces to combat the menace of drought. Cooperating with the Federal Emergency Relief Administration, the Farm Credit Administration, and with units of the Department of Agriculture, we have made a series of moves which have been reported daily by the press. What relief may fall from the skies upon the parched plains in the coming months we do not know. But the planning has been done, through provision for buying and removal of cattle, for movement of money, food, feed, and seed, and for encouragement of production of forage, to cope with drought conditions at their worst.

The predicament of burned-out farmers thus far this year is unprecedented perhaps more because of the scope than because of the intensity of drought. Drought is no stranger to the American farmer. He had the shortest grain crop last year in 40 years, and the devastation of rainless 1894 is talked about in the West as a pitiless parallel of 1934.

NATURAL MISFORTUNES

Every year in this country, some farmers somewhere see their crops ruined by drought, hail, flood, or pest. Year after year farmers in these stricken areas have pleaded for some constructive social planning which would shield them from brutish exposure to unseeing natural misfortune. Such appeals have been based on the unanswerable ground that society loses when the productive power of whole regions is blasted, perhaps beyond recovery for several years.

Farm spokesmen have urged that common sense, humanity, and national security all demand provisions for assuring to agriculture some continuity of income against crop losses caused through no fault of the farmer. Such protection has been sought as a part of reasonable compensation and sensible safeguard of continuous production of the Nation's food and raw materials. These appeals all have contemplated agricultural planning practical enough to include large-scale crop income insurance as a vital feature.

This was one of the needs which the Agricultural Adjustment Act was devised to meet. The adjustment plan will function in this way this year, for all the hundreds of thousands of farmers in the drought States who signed production-control contracts. With this in view from the very first, the production-control contract payments have been based upon past averages of production, not upon the current production of the year in which the payment is made. Therefore the amount of the payment in any one year is not affected by the size of the crop that the farmer gets in that year. His yield may be burned out, hailed out, or flooded out, or destroyed by grasshoppers, chinch bugs, or weevils. But if he signs a production-adjustment contract and fulfills its terms the farmer gets his benefit payment just the same.

In the drought area the farmer now has a taste of the same kind of protection which the flour miller long has enjoyed in insuring himself through the device of the hedge in buying wheat. Agricultural planning as worked out by M. L. Wilson and put into effect by the Adjustment Administration's production programs has offered in its first year the greatest crop-income insurance measure ever undertaken for farmers by any nation anywhere in the world. It applies to cotton, corn-hogs, and tobacco just as to wheat. It does not apply to dairying because the dairy industry has not united upon any program.

BENEFITS OF INSURANCE

What such crop-income insurance means in emergency can be understood from the fact that South Dakota farmers in last year's drought year got several times as much cash out of their wheat benefit payments as out of the sale of their poor little wheat crop. It is estimated that South Dakota farmers got \$3,400,000 out of their wheat benefit payments, and possibly only about \$320,000 out of all the wheat they had left over for sale after feed and seed needs were met.

In time of a calamitous drought the crop-income insurance feature of agricultural planning may mean the difference between misery and sustenance, and the difference between prostration of the pro-

ducing power of a region and a fighting chance for the farmer to get a new start in another year.

So the drought, while it has placed a great burden of responsibility upon the Agricultural Adjustment Administration and has intensified some and lightened other problems confronting the Administration, has demonstrated the need for agricultural planning as nothing else could have done.

I am aware that there are people, many of them speaking vehemently for interests already safeguarded by efficient protective controls and devices, who denounce any planning and decry any protective devices for agriculture. But the individualistic "let-alone" philosophy becomes more repugnant the more closely its effects on agriculture are observed.

In its sheerest form, unplanned rugged individualism for agriculture means refusal of governmental assistance in collective effort of farmers to protect themselves against drought or any other similar calamity. It means exposure of the farmer to lone-handed contest with the blind forces of nature, with which his trade forces him always to match his strength. It means misery and starvation somewhere for some farmers every year.

Remember that agriculture nationally may be penalized by low prices due to surplus accumulation, while simultaneously some smitten areas may suffer the added penalty, due to drought, of having little or nothing to sell even at the depressed prices. I am now describing not some mere theory but the stark fact that staggered thousands of farmers last year and will confront them again in 1934.

A GLUTTED WORLD MARKET

Does anyone imagine that the stricken Wheat Belt would have had to take the modest market prices of 1933, or the inadequate wheat prices thus far this year, for any reason except long-continued surplus production and glutted world wheat markets? Because of the crushing combination of national and world surplus with regional drought, important spring and winter wheat States have been compelled for 2 successive years to take very modest prices for low yields of wheat. In this situation the benefit payments to those who co-operated in crop adjustments, while not large enough to compensate for crop shortage, still were a big help.

The situation in the last 14 years has cried out for agricultural planning, production adjustment, and farm-income insurance. Grain merchants who collect the more commissions bushel by bushel when surplus ruins the price, and speculators who scramble for profits when drought raises the price, may not want farmers to do any planning of production. Many of them object to the thought that the farmers should even try to have any influence on price or try to "hedge" collectively against the worst losses from drought. But I doubt whether the farmers of this country will ever want to go back to the dog-eat-dog individualism these opulent gentlemen prescribe in the place of agricultural planning which now has been begun.

The drought has brought into sharp relief the crop-income-insurance features of the agricultural-adjustment plan, and has emphasized

the fact that these provisions afford farmers a hitherto unattainable degree of protection from such misfortune on a higher and juster plane than that of charity. This protection could not have been afforded on an equal scale without governmental assistance, because the farmers, acting as individuals, could not combine either to influence production or to insure their crops. The Government through this plan has begun to perform a rightful function in protecting a great economic group which has been unable to protect itself.

But the insurance feature, while right now of superlative importance, is in the long run not the principal measure in the broad program of farm planning undertaken under the Agricultural Adjustment Act.

The main objective of agricultural planning is to seek and maintain, through good years and bad, the best possible balance between production and effective demand for farm products, so as gradually to restore parity of exchange value to agriculture.

While this does not necessarily mean curtailing production—it might mean encouraging greatly increased production—the biggest handicap to agriculture, as every farm administration in the past 12 years has recognized, has been caused by accumulation of surpluses of the staple crops.

PILING UP OF SURPLUSES

War-time expansions of planting by 50,000,000 acres, followed by loss of export markets with this country's transition from a debtor to a creditor nation and the resulting accumulation of surpluses, all served to drive down farm prices.

One of the primary objectives of the farm plan is to get that 50,000,000 acres back into forage crops. The adjustment contracts have been drafted with this in view. Roughly, the removal from surplus production of about 40,000,000 acres has been pledged by farmers.

The adjustments in production of the basic crops represented by this shift, with favorable effects on prices and benefit payments to cooperating farmers, have been supplemented by other measures. These include the marketing agreements and licenses for fluid-milk producers and producers of certain fruit, vegetable, canning, and nut crops.

The agreements or licenses provide improved price schedules for farmers and eliminate unfair practices in processing and distribution of farm produce. Cotton and corn loans sustained prices of these commodities, assured the advantages of price increases to producers instead of to speculators, and provided badly needed purchasing power to two great farming regions, thus stimulating general business revival.

SUGAR AND BEEF CATTLE

At the present time the Administration is undertaking programs for sugar, for beef cattle in connection with drought relief, and for a large number of special crops through agreements. These are in addition to the current programs of wheat, tobacco, corn-hogs, and cotton, including administration of the Bankhead Act.

Events during the Adjustment Administration's first year have confirmed the soundness of the basic objectives of the act, though they have also brought the necessity for numerous adjustments as to method. On the experience of the first year it is now possible to determine the long-time direction which planning for agriculture is likely to take.

Adjustment properly places increased emphasis upon transition away from production of the surplus crops, where markets have been glutted with oversupply. Unless and until the United States recovers its lost export markets, the adjustments in production will have to be made. They would be made under the sheer economic compulsion of low prices in the absence of any agricultural planning. The use of benefit payments to compensate farmers for making these adjustments facilitates accomplishment of the transition without the economic disturbance and widespread individual losses and the unfavorable consequences to business and industry which would otherwise occur.

Such relief from grain surplus as is gained at the fearful cost of drought alters the A.A.A. problem in some respects, but not in others. Crop loss of this kind, concentrated in a definite area, has about it none of the fairness of adjustments which are spread equally over all farms. But it does have temporary price effects which, while they do not compensate farmers fairly for losses, do tend to induce new production.

ACREAGE AND VOLUME

The long-time relationship between acreage and volume of production is very close, despite the disparity caused by a year or two of severe crop damage. The man whose whole crop is ruined has not reduced wheat or cotton in the sense that he would have done if a proper portion of his farm had been transferred into permanent pasture. Drought has temporarily reduced the grain surplus and has reduced the immediate visible incentive to get from grain to grass. But it has affected very little the permanent need for that transition, or for agricultural planning to help bring it about.

Keeping uppermost in mind the long-time aspects of the agricultural adjustment, even while placing in action the emergency programs for cotton, wheat, corn-hogs, and tobacco, we have established in the Adjustment Administration a Planning Division under direction of H. R. Tolley.

This Division is now working on plans for the future course of the Adjustment Administration. This course will iron out many of the crudities in the present emergency programs. The division will gather information to forearm the A.A.A. as to the outlook for agriculture, and the future objectives for assuring continuance of sound recovery.

Changes from present methods probably will involve selective distribution of lands removed from surplus production and the use of a composite contract to cover all products grown on a farm, rather than single crops. This would reduce administrative machinery and expense and increase the total benefits available for mixed farming regions.

MARGINAL LANDS

Permanent removal of submarginal lands from crop production will be part of a long-time effort that must be made. The Planning Division is cooperating with the Department of the Interior and the Federal Surplus Relief Corporation in working out the details of this program. Twenty-five million dollars already has been provided to finance a beginning.

This means planning for better use and conservation of the nation's soil resources. Submarginal lands which now are poverty farms can be gradually removed from surplus production and be put into use as forests, parks, game refuges, and preserves. Water and timber resources of the soil can be conserved. Erosion, which has been destroying the fertility of our soil just as surely and completely as it has devastated the Yellow River Valley of China, can be checked.

All these measures will contribute not only to the prosperity of agriculture and to alleviation of human distress, but also to the safety and welfare of the whole country. Good soil is the ultimate foundation upon which this welfare rests. The recent dust storms have been a dramatic reminder of the peril to our soil resources to which we have been brought by long years of shameful neglect.

The ruthless policy toward agriculture which this country pursued forced the farmers into unsound crop practices, mining the soil to produce surpluses, and robbing it of precious fertility. The enlightened policy now being followed makes it possible for farmers to conserve soil resources by keeping lands out of useless cultivation of surplus crops, and by planting soil-building and erosion-preventing cover.

MANY HUMAN PROBLEMS

The Agricultural Adjustment Administration's first year has brought forth a host of human problems. Work as we would, we never have been able to move fast enough to meet the needs of agriculture. Think of the task involved in handling 3,000,000 contracts, of verifying them all and mailing out checks to the farmers. It has taken much more time than we planned, and the delay hurts the farmers when they desperately need the money. Think of the achievement of the 3,000,000 farmers in organizing the production-control associations. To hundreds of thousands of them the whole idea was new and the social experience of working with their neighbors on production problems was unprecedented.

Large numbers of cases of individual dissatisfaction have arisen, as is inevitable when millions of adjustments have to be made in a program so new. Our delays in getting out checks and the numerous administrative technicalities of it all have irritated farmers.

Then there have been numerous petty misunderstandings, bickerings and complaints, oftentimes deliberately fomented to arouse sectional jealousies; for example, complaints from the West that the South was getting \$160,000,000 in cotton payments, from people not stopping to think that the corn-hog producers also will get a comparable sum.

We have heard agitation against the jute tax from Idaho, though the increase in shipments of Idaho potatoes to Atlanta increased from

5 cars in 1932 to 33 cars in 1933 after the cotton plow-up, and the tax on the bags was just a drop in the bucket compared to the increased demand in the more prosperous South for the Idaho potatoes that went into the bags.

OPPOSITION TO TAX

The Agricultural Adjustment Administration could have had an effective cattle-buying plan in operation weeks ago in the drought States, and strong income-insurance protection to the dairy producers there. But opposition to the processing tax, apparently in many instances inspired by the processors for obvious reasons, caused us to amend the beef-cattle plan and defer the dairy plan.

It is not the policy of the Adjustment Administration to impose any program upon any farming industry. It must be convinced that an overwhelming majority of the farmers want a program so as to insure a practical degree of cooperation before the administration undertakes to place a program in effect.

The difficulties I mention are, in a sense, only minor when compared to the achievement of enlisting 3,000,000 farmers in a voluntary attack upon basic production problems. But the outcome will depend upon how greatly such irritations finally weigh after the new and difficult ground is broken and when balanced in true perspective against the program's substantial benefits. The farmers will determine what will be the future of the Agricultural Adjustment undertaking. Many improvements and changes will be made in the program as time goes on. But I do not think that, once they understand the fundamentals involved, farmers will give up agricultural planning for the tooth-and-fang individualism of the Old Deal days.